

UNION ELECTRIC COMPANY
doing business as AmerenUE

ILLINOIS COMMERCE COMMISSION DOCKET NO. 01-0516

TESTIMONY ON REOPENING

OF

RICHARD A VOYTAS

St. Louis, Missouri
December 21, 2001

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7

8 **Q. Please state your name and business address.**

9 A. My name is Richard A. Voytas. My business address is 1901 Chouteau Avenue, St.
10 Louis, Missouri 63103.
11

12 **Q. Are you the same Richard A. Voytas who previously submitted Direct**
13 **Testimony in this proceeding?**

14 A. Yes, I am.
15

16 **Q. What is the purpose of your testimony in this reopened proceeding?**

17 A. I am testifying in response to Question Numbers 3 and 4 as set forth in the
18 Memorandum dated December 12 of Commissioner Harvill. Attached to my testimony
19 is my signed affidavit, marked as Ameren Exhibit No. 4.1.
20

21 **Q. Please respond to Question number 3.**

1 A. As I understand this question, it asks for all documents used in the Company's decision
2 to petition the Commission for the Certificate of Convenience and Necessity for the
3 Venice Combustion Turbine Generator ("the Venice CTG"). These documents are
4 attached as Ameren Exhibit No. 4.2 to my testimony. These documents are Highly
5 Confidential because they contain Ameren Corporation's resource planning and
6 marketing analyses, and other market specific information. The disclosure of this
7 information could be harmful to AmerenUE and its ratepayers by compromising the
8 Company's ability to buy or sell electricity at reasonable prices.

9
10 **Q. Please respond to Question No. 4.**

11 A. As I understand it, this question asks for evidence to justify and/or explain why other
12 resources are inferior to the proposed Venice CTG. To answer this question, I would
13 first like to summarize my Direct Testimony filed in this case in July of 2001. I will then
14 provide additional evidence on this point.

15
16 **Q. Please summarize your Direct Testimony filed in July.**

17 A. The Venice CTG, together with other new resources, are needed by AmerenUE to
18 comply with the reserve margin requirements of its regional reliability council, the Mid-
19 America Interconnected Network, Inc. ("MAIN"). MAIN recommends that member
20 companies maintain planning reserve margins in the 17% to 20% range. The Company
21 has done additional studies that document that a planning reserve margin of 18% is the
22 level that minimizes costs to customers under a wide range of uncertainties.

1
2 To comply with MAIN's requirements, AmerenUE plans to build and to buy the
3 following new resources: 1) the Venice CTG (a simple cycle CTG at AmerenUE's
4 existing Venice Plant site) rated at approximately 50 MW in peak summer conditions;
5 2) four additional simple cycle CTGs at a new site in Pike County, Missouri, for a total
6 of approximately 200 MW; and 3) purchased power pursuant to a Request for
7 Proposal ("RFP") for 2002 - 2012 for capacity and energy for up to 500 MW – of
8 which 426 MW is needed for 2002. Thus, the Company plans to build 250 MW and
9 to buy up to 500 MW.

10
11 I next contended that the Venice CTG was necessary to allow AmerenUE to provide
12 adequate, reliable, and efficient service at the least-cost consistent with the reserve
13 margin requirements of MAIN. I explained that the Company was viewing the Venice
14 CTG as part of a portfolio of new supply side resources consisting of a mixture of build
15 and buy options.

16
17 Finally, I pointed out that approximately 90% of the costs of the Venice CTG and
18 related equipment would be assigned or allocated to jurisdictions other than Illinois,
19 namely to Missouri and to AmerenUE's wholesale business. This assumes that the
20 Illinois Commission would allocate AmerenUE's power pool costs in a manner
21 consistent with previous Illinois rate orders involving AmerenUE. Thus, only about 10%
22 of the \$25 million investment in the Venice CTG (\$2.5 million) would be assigned or

1 allocated to AmerenUE's Illinois retail electric jurisdiction. (The same percentage
2 would likely apply to the other resources discussed above.)

3
4 **Q. What additional evidence do you have to offer?**

5 A. I will discuss an alternative to the new resources listed above which we first considered,
6 and why this alternative was not a viable one. I will also discuss other resource options
7 and explain why they are inferior to the Venice CTG. All of this is designed to present
8 additional evidence in support of the Company's contention that the Venice CTG is
9 least-cost.

10
11 **Q. Please discuss the first alternative which the Company considered.**

12 A. The Company's initial solution was not to build or buy any capacity at all. Rather,
13 AmerenUE proposed to transfer its entire Illinois electric load (the "Metro East load") to
14 AmerenCIPS, with the result that Ameren Energy Marketing Company ("AEM"),
15 AmerenCIPS' supplier, would serve the Metro East load. This would have placed the
16 capacity burden on a non-regulated participant, namely AEM. AmerenUE initiated
17 proceedings before both this Commission and the Missouri Public Service Commission
18 to obtain approval for such a transfer. Although the Company received approval from
19 this Commission in Docket No. 00-0650, it soon became apparent that AmerenUE
20 would not receive approval from the Missouri commission within a time period that
21 would allow AmerenUE to address its capacity shortfall. Accordingly, AmerenUE

1 withdrew its filings before both state commissions and proceeded with an alternate plan
2 to add the new resources listed above.

3
4 On this point, it is important to emphasize that AmerenUE provides service in two
5 states, with a single power supply portfolio, and that the majority of its customers are in
6 Missouri. Further, it is important to note that Missouri does not currently allow for
7 electric retail choice. Based on the publicity over problems with the California market,
8 and with the collapse of Enron, we do not believe that legislators in Missouri will be
9 receptive to customer choice legislation any time soon.

10
11 Thus, we expect that AmerenUE will have an obligation for the foreseeable future to
12 serve all of its Missouri retail customers since none are free to choose other suppliers.
13 As a result, we believe it is both reasonable and necessary for the Company to continue
14 to build generation to meet the needs of its Missouri and Illinois systems. AmerenUE is
15 therefore in a position very different from an all Illinois electric utility, such as
16 AmerenCIPS. The Customer Choice Law has encouraged an all Illinois utility to spin
17 off its generating assets, to focus on its distribution business, and to purchase power to
18 meet the needs of its customers. That is not the case for Missouri, or for a multistate
19 utility such as AmerenUE.

AmerenUE notes that the transfer of the Metro East load remains a possibility that the Company may want to reconsider in the future. Such a transfer would relieve AmerenUE's Illinois customers of any direct obligation for support of the Venice CTG.

Q. Please discuss further AmerenUE's needs for new resources.

A. For the period 2002-2012 the Company is looking to acquire a total of about 1800 MW of additional capacity. Least-cost planning studies indicate that at today's market prices the 1800 MW addition should consist of market purchases of peaking capacity and energy of approximately 1200 MW and building 600 MW of building simple cycle combustion turbine generators (CTG).

The determination of when to buy and when to build is a decision based on when the additional capacity is required, the ability to acquire firm transmission service (for market purchases), and the time required to bring a new CTG into commercial operation.

Q. Please compare the Venice CTG to the option of one or more long term purchases of power.

A. I would first note that AmerenUE has several long term power purchases in place, from several suppliers. As noted above, the Company expects to be purchasing over 1,000 MW of power for the foreseeable future, for at least the next five years. Thus, the Company is already buying a substantial amount of power on a long term basis, amounting to about 10 % of AmerenUE's total installed capacity.

1
2 Next, based on AmerenUE's obligation to serve in Missouri, which is likely to continue
3 for the foreseeable future, the Company submits that it is necessary to take a long term
4 view in the planning process as a way of minimizing costs to customers. Under such a
5 long term view, building may be the least cost option over a 25-year life of a peaking
6 asset even though a short-term market option may have initial lower costs over a period
7 of 10-years or less. Further, including the build option in the portfolio is prudent
8 because it protects against several market purchase related risks. These include the
9 following: 1) the risk of transmission service not being available; 2) credit risk of a
10 counter party (e.g. an Enron bankruptcy); and 3) security risks related to relying on long
11 spans of transmission to deliver power.

12
13 Even though spot prices for short-term power are currently low, it is inappropriate to
14 assume that they will remain low. Further, since the Company is already planning to buy
15 up to 500 MW through the RFP discussed above, it is important to have a substantial
16 component in the resource portfolio consisting of the build option. In AmerenUE's
17 case, to meet MAIN's reliability criteria for the summer of 2002 it will be buying about
18 twice as much as it is building (up to 500 MW as compared to 250 MW). Given this 2
19 to 1 ratio, and given transmission restrictions, it is the Company's judgment that it would
20 not be appropriate to purchase any more power at the present time.

21 **Q. Are there any other points you wish to note regarding purchased power?**
22
23

1 A. Yes, two points. First, I have included documentation concerning the Company's Asset
2 Mix Optimization studies in the response to Question No. 3 of Commissioner Harvill.
3 These highly confidential studies represent the Company's resource planning analyses
4 for which I am responsible. These studies indicate that AmerenUE has sufficient base
5 load capacity but is in need of peaking capacity. As a peaking unit, the Venice CTG is
6 thus consistent with our resource planning analyses.
7
8 Second, I would like to note that the process of purchasing power involves a
9 considerable amount of time. A Request for Proposal must be prepared and distributed
10 to viable participants. The Missouri Commission requires that the Company provide to
11 both the Missouri Public Counsel Staff and the Office of Public Counsel Staff a draft
12 copy of the RFP. They have 20 days to review the RFP and provide the Company
13 with comments. Bids responding to the RFP must be evaluated and ranked.
14 Transmission service must be requested over the OASIS, and evaluated by the
15 applicable Transmission Provider, whether that is Ameren or a neighboring transmission
16 system. The entire process can take several months at the least. In light of the time
17 needed to complete the RFP, I would like to repeat that building capacity has value in
18 that it is a hedge against the risk that late in the evaluation process it may become
19 apparent that transmission service will not be available to support a bid as a viable
20 option.

21 **Q. Please compare the Venice CTG to the option of interruptible rates.**
22
23

1 A. AmerenUE currently has an interruptible tariff in effect in Illinois. Only one customer
2 has elected to take interruptible service under this tariff, with 28 MW of load to be
3 interrupted. The Company believes that it is not realistic to expect that it will get
4 additional participation in its interruptible tariff to yield 50 MW by next June 1 so as to
5 make the Venice CTG unnecessary. The Company has not had any requests for new
6 service under this rate for more than ten (10) years. The Company also believes that
7 there is a trend by customers away from interruptible rates as their business processes
8 become more sensitive to interruptions. Additionally, in the Company's opinion the
9 current credit for interruptible customers is more than what can be economically justified
10 based on today's costs, so additional participation or MWs of interruption would be
11 inappropriate based on today's economics.

12
13 The same is true for the Company's Voluntary Curtailment Program(s). Under the
14 VCR program AmerenUE pays customers to curtail their usage. Based on the
15 experiences of the past two summers, the Company simply cannot predict that it can
16 obtain 50 MW of curtailment at projected forward prices for next summer so as to
17 make the Venice CTG unnecessary.

18
19 **Q. Please compare the Venice CTG to the option of distributed generation.**

20
21 A. Distributed generation is an option which has been available for some time to all of the
22 Company's customers. Since the Company's Illinois electric rates are low compared to
23 the costs of power from distributed generation, there is very little incentive for customers

1 to install such generation on the Company's system. Also, due to the relatively small
2 scale of most distributed generating technologies, economies of scale that are associated
3 with electric utility generating technologies make the larger scale generation the least-
4 cost option. As a result, the Company could not economically or reliably obtain 50
5 MW of Distributed Generation as a substitute for the Venice CTG by June 1, 2002 or
6 any time soon.

7
8 **Q. Please compare the Venice CTG to the option of load management.**

9
10 A. Over the years, the Company has performed extensive analyses and conducted
11 numerous pilot programs on a variety of load management options (e.g. Energy Audits,
12 Appliance Buy-Backs, New Construction Efficiency Incentives, Efficient Motors, and
13 Direct Load Control alternatives). The evaluations showed that these pilot programs
14 were not cost effective compared to supply side alternatives. Thus, the Company could
15 not economically or reliably obtain 50 MW of load management as a substitute for the
16 Venice CTG by June 1 or within any reasonable time frame.

17
18 **Q. Are there any other observations you would like to make?**

19
20 A. Yes. In April of every year, auditors from MAIN review the Company's books and
21 records to ensure that AmerenUE has sufficient capacity in place to provide reliable
22 service for the start of the summer, June 1. As indicated earlier in my testimony, the
23 Venice CTG is necessary to meet MAIN's reliability criteria. In order to meet the June
24 1st deadline, the Company must quickly proceed to implement this new resource.

1
2 As a result, the Company requested in its Petition filed last July that the Commission
3 issue a certificate by January 15. I would reiterate that request, and ask that a
4 certificate be granted by that date or as soon thereafter as possible.

5
6 **Q. Please summarize your testimony.**

7 A. The Venice CTG is a least-cost resource over a 10 year planning horizon as shown by
8 the Company's least-cost planning work. It is also an important part of the portfolio of
9 resources needed to meet MAIN's reliability criteria for the summer of 2002 and
10 beyond. Also, given the time constraints which the Company faced when it became
11 apparent that the Metro East property transfer would not receive approval on a timely
12 basis from the Missouri Commission, the Company had to quickly choose another
13 alternative.

14
15 The Venice CTG is an important part of the portfolio of 250 MW of the build option
16 and up to 500 MW of the buy option. In the Company's view, this is a reasonable and
17 least-cost approach when one considers all of the relevant factors such as the following:
18 1) the likelihood that AmerenUE will remain a vertically integrated utility serving
19 Missouri customers on a fully regulated basis; 2) the fact that the Company is already
20 committing to purchase almost twice as much as it is building to meet MAIN's reliability
21 criteria for 2002 and beyond; 3) building is an appropriate way to hedge against the risk
22 of volatile prices for purchased power and the risk that transmission may not be

1 available to deliver the power; and 4) no other alternative, such as interruptible service,
2 is economical or reliable for the foreseeable future.

3

4 **Q. Does this conclude your testimony on reopening?**

5 A. Yes, it does.

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